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SUBJECT: ASEAN-CHINA SUMMIT MEMORIALIZES COOPERATION; TEES
UP BILATERAL ENERGY, DEFENSE AND AID DEALS

REF: A. BEIJING 22370

[1](#)B. BEIJING 23354

Classified By: Political Unit External Chief Edgard Kagan.
Reasons 1.4 (b/d).

Summary

[1](#)1. (C) Heads of state from all ten ASEAN member countries attended the largely ceremonial October 30-31 ASEAN-China 15-year anniversary Summit hosted by Premier Wen Jiabao in China's Guangxi Province. The leaders signed a joint statement pledging to enhance strategic cooperation, to support a nuclear-free Southeast Asia, to strengthen a 2002 code of conduct for the South China Sea and to establish a Free Trade Area by 2010. For the most part, the pledges in the joint statement were not new, but an MFA official said the event injected new momentum into Chinese initiatives for regional integration, which did not include APEC. Premier Wen pledged USD 2 million to support infrastructure and training in ASEAN countries and Chinese companies signed billions of dollars in contracts. Indonesia's President agreed to Chinese energy and defense initiatives, the Philippines proposed joint oil exploration near the Spratly Islands, Singapore pushed for a Southeast Asian transport corridor, and Cambodia and Laos sought further development aid as part of separate bilateral agendas. End Summary.

Joint Statement on Trade, Security Issues

[1](#)2. (C) Leaders from all ten ASEAN member states agreed at the October 30-31 China-ASEAN Summit to establish the China-ASEAN Free Trade Area on time by 2010 and to progressively liberalize trade in goods and services (ref A). In a joint statement, Chinese and ASEAN leaders agreed to enhance political and security partnerships and to try to strengthen the 2002 Declaration of Conduct for Parties in the South China Sea. China reiterated its intention to accede to a Southeast Asia Nuclear Weapon-Free Zone treaty, but the protocol banning possession, development or transport of nuclear weapons in Southeast Asia will not open for signature unless other nuclear weapons states express an intention to join, MFA Asia Department Deputy Director for ASEAN Affairs Mao Ning told poloff.

[1](#)3. (C) The Summit's announcements largely codified previous Chinese commitments with respect to Southeast Asia but gave new momentum to key Chinese initiatives for regional integration, MFA's Mao said. But Beijing felt the Summit was a success and believes the joint statement is an important document memorializing achievements in the past 15 years of the China-ASEAN relationship and setting a course for the

next 15 years of the relationship, she added.

PM Wen Offers Funds for Infrastructure, Training

14. (C) In his speech to the Summit, Premier Wen said that China-ASEAN relations have never been better. Premier Wen announced that China would provide USD 2 million to fund regional integration projects, with half going to infrastructure development for the newest ASEAN members Vietnam, Cambodia, Laos and Burma. Wen also pledged that China would train 9,000 students and professionals from ASEAN countries over the next five years, Mao said.

Regional Architecture, Issues

15. (C) On regional issues, the leaders discussed East Asian cooperation, endorsing regional architecture such as the ASEAN Regional Forum, ASEAN-Plus-Three and the East Asia Summit, but they did not endorse APEC or the Japanese proposal for an accelerated ASEAN-Plus-Six Free Trade Area, Mao noted. Premier Wen briefed ASEAN leaders on the improvement in China-Japan relations resulting from PM Abe's visit to China and the parties also discussed the DPRK nuclear issue, Mao said.

Indonesia Pledges Energy, Defense Cooperation

16. (C) Prior to the Summit, Indonesian President Yudhoyono and Chinese Vice Premier Huang Ju signed some USD4 billion in energy-related contracts at the October 28 China-Indonesia energy forum in Shanghai, Indonesian poloff Santo

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Darmosumarto told us. The deals, originally announced during the Indonesian Vice President's April visit to China and subsequently resubmitted for competitive tender, will provide Indonesia with several new coal-fired power plants to help offset electricity shortages in areas outside Jakarta, he said. Indonesia earlier this year agreed to provide more than 2 million tons of liquefied natural gas (LNG) to China's Fujian Province annually.

17. (C) In a bilateral meeting during the Summit, Premier Wen offered to increase military cooperation and defense exercises with Indonesia, an offer Santo said Jakarta views skeptically, especially if it involves exercises in the Malacca Straits. Jakarta may accept Chinese offers of support for defense industries related to shipbuilding and rocketry, but is likely to restrict any proposed military exercises to humanitarian and search-and-rescue missions, he said. Chinese rocket technology is especially appealing for Indonesia's commercial satellite industry that supports many facets of telecommunications across the archipelago, Santo said.

Philippines-China Relations Best Ever

18. (C) Philippines President Gloria Macapagal-Arroyo said China-Philippine relations are at their best level ever, Mao said. During Arroyo's bilateral visit prior to the Summit, she proposed joint oil and gas exploration by all those with an interest in the disputed Spratly Islands and urged that the proposed Code of Conduct for the South China Sea be much stronger than the 2002 declaration of conduct currently in force. However, Indonesian and Singaporean diplomats who attended the Summit told us that the "strengthened" code discussed during the Summit does not differ significantly from the 2002 declaration on conduct and primarily urges maintaining the status quo.

Land Transport Corridor, Free Skies Deal

¶9. (C) Singapore poloff Patrick Lim said Singapore found significant the joint declaration's emphasis on creating an economic and transportation corridor through mainland Southeast Asia, including completing a rail line connecting Singapore to Kunming, China. The railroad is complete except for rails that Malaysia previously agreed to provide to Cambodia, Lim said. The rails for the Cambodian part were to have been given in cooperation with Thailand, but the interim Thai government has not yet implemented this promise so it remains unclear when the final piece of the rail line can be built, he said. Noting that rail and road corridors to Singapore do nothing for Indonesia, Indonesian poloff Santo said the joint statement's push for regional "Free Skies" agreements was more significant for promoting future regional tourism and transport.

¶10. (C) Singapore PM Lee's bilateral visit prior to the Summit took him to Chengdu, Guangzhou and Guangxi, Lim said. As reported ref B, Lee held a bilateral meeting with interim Thai PM Surayud. A serious point of friction during the October 31 bilateral meeting was deposed Thai PM Thaksin's sale of assets to a Singaporean company run by PM Lee's wife, Lim said.

Aid for Laos, Cambodia

¶11. (SBU) Separately, Premier Wen promised to provide financial assistance to Laos during the Summit for a bridge over the Mekong River necessary to complete a Bangkok to Kunming highway. Cambodian Prime Minister Hun Sen asked Wen for an additional USD 100 million in Chinese aid to support Cambodian infrastructure, according to state media reports.

Summit Followed by Trade, Customs, Women's Forums

¶12. (SBU) The Summit was followed by a week of related China-ASEAN activities in Nanning, which China hopes to bill as a future hub of its relations with Southeast Asia. The October 31 to November 3 China-ASEAN Expo resulted in signing of 132 project contracts involving investment of over USD5.8 billion in ASEAN economies, according to state-run media. More than 100 women entrepreneurs attended the October 31 China-ASEAN Women Entrepreneurs' Forum October 31, which included a pledge to open more training centers for female entrepreneurs in the region. A customs and agricultural

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forum resulted in a consensus to harmonize inspection and quarantine standards to facilitate free trade.
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